

Department of Finance and Administration

Legislative Impact Statement

Bill: SB463

Amendment Number: Engrossment 4/16/13 (Am #S2)

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE INCOME TAX FOR SERVICE PAY OR ALLOWANCES RECEIVED BY ACTIVE DUTY MEMBERS OF THE ARMED SERVICES.

Basic Change :

Senators J. Hendren

Senate Amendment 2

Changes the effective date to tax years beginning on or after January 1, 2015

Exempts from Individual Income Tax the service pay or allowance received by an active duty member of the armed services for active duty service. Active duty member of the armed services is defined to include the National Guard and Reserve units.

Revenue Impact :

FY2014 - No Impact

FY2015 - \$3.6 M Loss

FY2016 - \$7.2 M Loss

Taxpayer Impact :

Taxpayers who qualify for the exemption will complete a form provided by DFA and submit the form to their Paymaster to discontinue Arkansas state income tax from being withheld from their wages.

Taxpayers would still be required to file a return to claim the exemption and to document the amount of active duty pay received.

Resources Required :

Computer program and forms updated - \$1,000

Time Required :

Adequate time is provided.

Procedural Changes :

Computer programs, tax forms and instructions, return processing and training procedures would need to be modified. Tax community will need to be informed.